

# AGRI BITES

Still more to go.

1 August 2025





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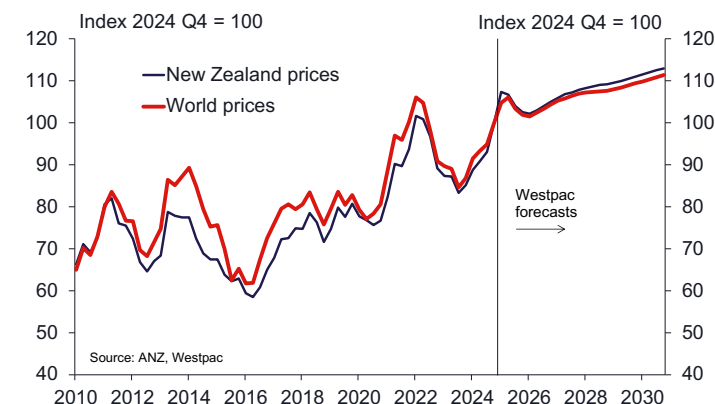


# SUMMARY

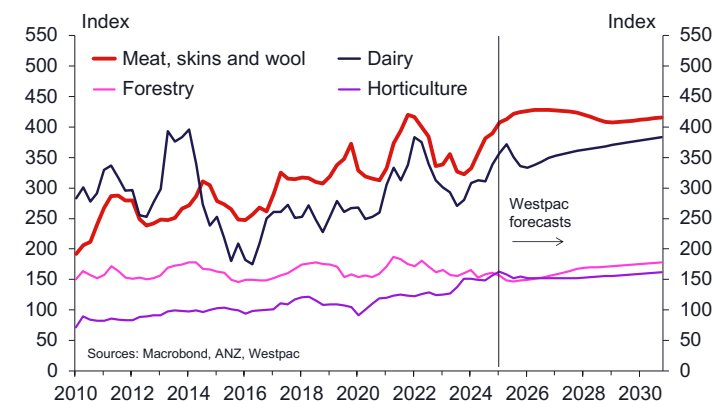
## Agricultural export price gains to slow, but prices to remain elevated.

- Our farmgate milk payout forecast of \$10.00/kg season assumes dairy prices will ease over the 2025/26 season as global production increases. Rising dairy prices over the past year or so have encouraged farmers in key producing countries to lift output.
- The opposite is true in the beef market, where constraints on production are likely to result in a tick up in prices. Much of that has to do with a record low beef cattle herd in the US, herd rebuilding efforts in Brazil, and a shortage of cattle available for slaughter in China.
- Constrained production in key exporting countries, such as New Zealand, Australia and UK, is also likely to support lamb prices. That said, it seems unlikely that the large increases seen recently will continue, given reports of price resistance in several key export markets, notably the UK and EU, and the potential impact of higher tariffs on lamb entering the US.
- Kiwifruit and apple prices will remain elevated over the coming year, reflecting supportive demand and supply fundamentals. Orchard gate returns are also set to rise off the back of productivity gains and ongoing quality improvements.
- Export log prices are set to tick higher over the coming year as the summer slowdown in construction in China comes to an end and efforts by the Chinese government to boost a still moribund property market gain some traction.

## Commodity prices – World and NZ dollar denominated



## Commodity prices by category

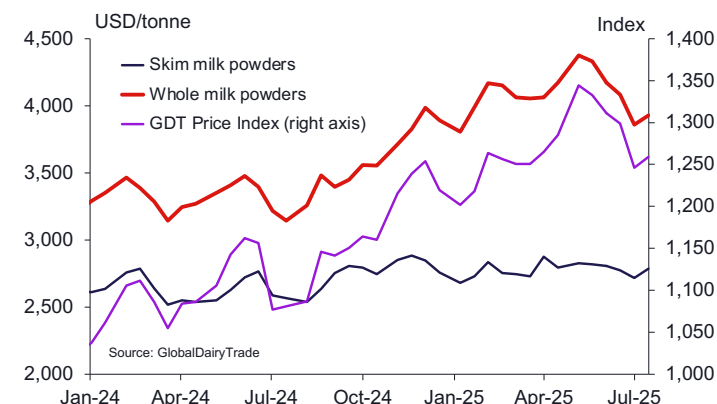


# DAIRY

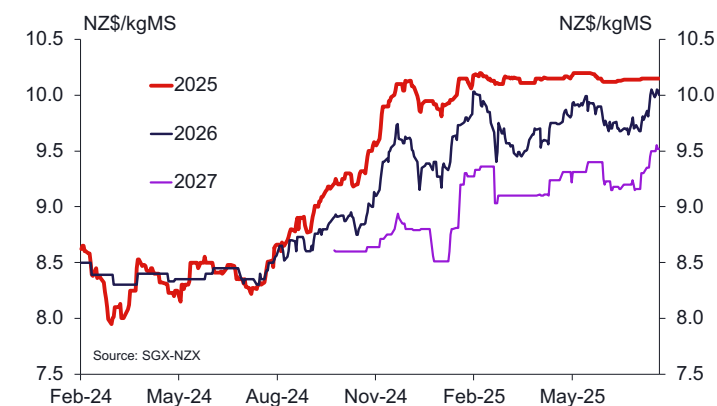
## Farmgate milk price to remain at elevated levels.

- We maintain our \$10.00/kg farmgate milk price for the 2025/26 season. That aligns with Fonterra's current forecast, noting that this guidance also comes with a \$3/kg range at this early stage of the season. Futures market pricing currently sits at \$10.05/kg.
- Our \$10.00/kg forecast is based around a 6% fall in world dairy prices over the course of the season, relative to recent auction prices.
- High dairy prices over the past year have encouraged farmers in key producing regions (the US, EU, New Zealand and Australia) to lift output. In addition, supply disruptions due to animal disease in the US and EU seem less prevalent this year. This additional supply is expected to cap dairy prices below their recent highs.
- The level of the exchange rate is also key. An expected firming in the NZ dollar should ordinarily hurt returns. However, prolonged broad-based US dollar weakness could actually result in US dollar-denominated dairy prices moving higher over the coming year.
- With production costs having also risen in recent years, a \$10.00/kg milk price would represent another strong season.

## Recent GDT dairy price trends



## Farmgate milk prices – futures pricing

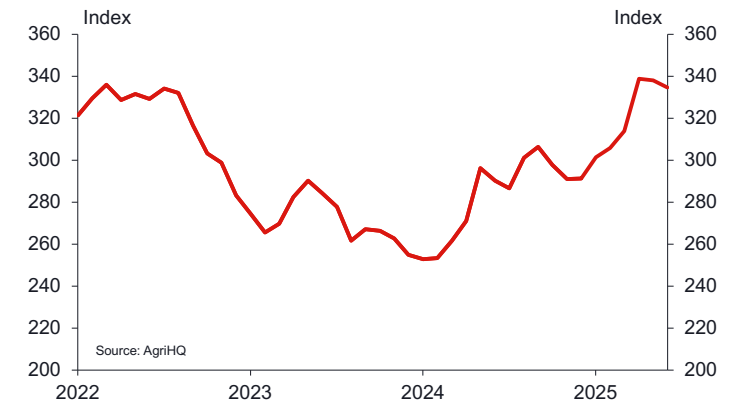


# BEEF

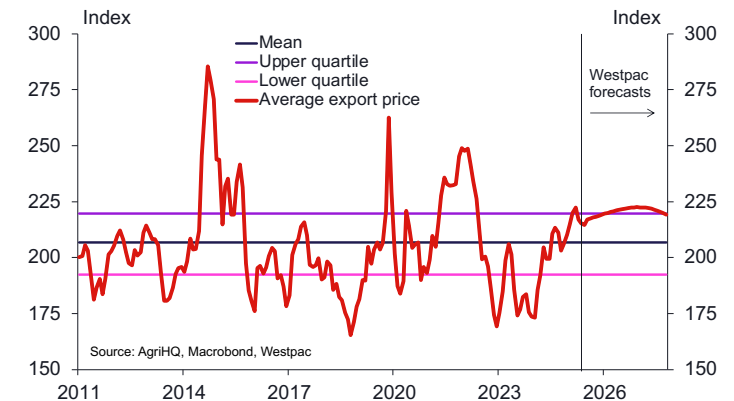
## Export prices for beef to continue edging higher.

- Lower global production is expected to push beef export prices higher in 2025, with gains set to moderate in 2026 as output levels tick higher.
- Much of that has to do with constrained US production, ongoing growth in domestic demand for beef within the US and its reliance on imports.
- We expect that current efforts to rebuild an historically small US cattle herd should mean slightly higher US production in 2026, which will act to moderate price gains.
- Lower global production in 2025 also reflects dynamics in other major producing countries. Brazil, the world's largest beef exporter, is rebuilding its herd. In China, production is set to fall because of low inventories of finished cattle and a drop in the dairy cow slaughter.
- Ditto in New Zealand, where a structural decline in the beef cattle herd has translated into a drop in beef production. Australia though is running contrary to this trend, with production set to be close to record levels in 2025.
- At the same time, global demand for high-quality proteins such as beef remains elevated. That is particularly true in the US, UK, EU and Canada, where demand typically rises as households' financial circumstances improve.

Average monthly beef export prices - nominal



Average monthly beef export prices - real

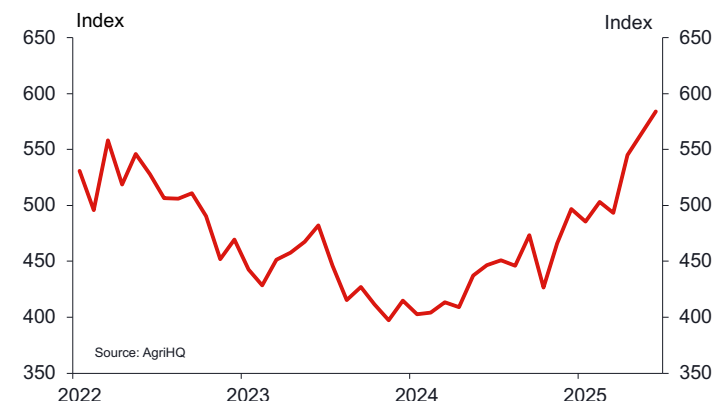


# SHEEP MEAT

## Lamb export prices to lift, but current levels look topky.

- We think there is more upside to lamb prices, but gains may be limited given where inflation-adjusted prices are relative to long-term averages.
- With prices for lamb rising sharply in recent months, there have been several reports of price resistance in key UK and EU markets. That is despite the fact that New Zealand lamb competes at a discount to home-grown lamb.
- The US has been a growing export market for New Zealand. However, US tariff policy could also impact demand for lamb over the coming year.
- That said, constrained production in key exporting countries, notably New Zealand, Australia and the UK, should help support prices.
- In New Zealand, a lower kill mostly reflects a structurally smaller flock. Some farmers though have been holding stock back in expectation of higher prices. If prices moderate, that could mean more stock coming forward for slaughter, potentially exacerbating the downturn.
- Australian production is set to fall, but it is possible that more will be diverted to export markets in both 2025 and 2026.
- Consumer preferences for premium protein and stable economic conditions should underpin demand in the EU and UK. That should offset still-sluggish demand from China, where customers have been trading down.

Average monthly lamb export prices - nominal



Average monthly lamb export prices - real



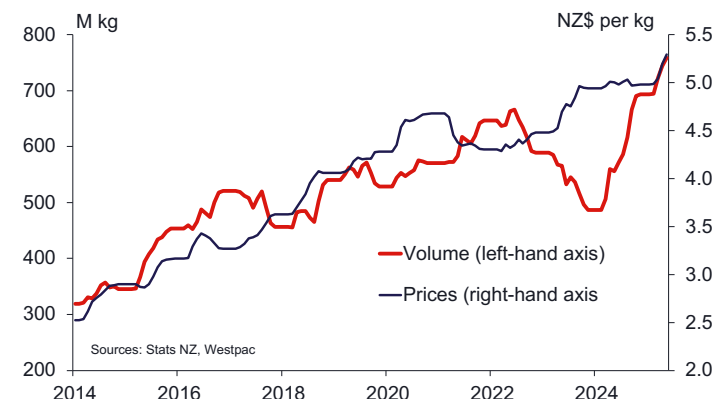


# HORTICULTURE

## Export prices for horticulture to remain elevated.

- Demand in key markets for relatively cheap nutritious foods like kiwifruit and apples should be sustained over the coming year, ensuring export prices remain at elevated levels.
- The outlook for kiwifruit prices over the coming year is positive, with Zespri forecasting strong returns for the 2025/26 season. The coming season is set to be a bumper one, with strong early sales recorded in the EU and US.
- While export prices for some varieties could ease slightly as supply increases, Zespri is forecasting orchard gate returns to lift off the back of productivity gains, larger fruit sizes and quality improvements.
- Meanwhile, apple export prices are set to track higher with demand in key export markets, notably the US, UK, China and Vietnam, expected to outpace the recovery in counter-seasonal supply (following cyclone Gabrielle).
- Recent flood events in the Nelson/Tasman region and resulting damage to orchards, however, may slow this recovery and support export prices.
- Stronger competition in the UK and EU, particularly from other counter-seasonal producers, is encouraging exporters to exploit opportunities in new markets in Asia. US tariff action is not expected to significantly impact exports given a high regard for the quality of New Zealand apples in that market.

Kiwifruit – average export prices and volumes



Apples – average export prices and volumes



# FORESTRY

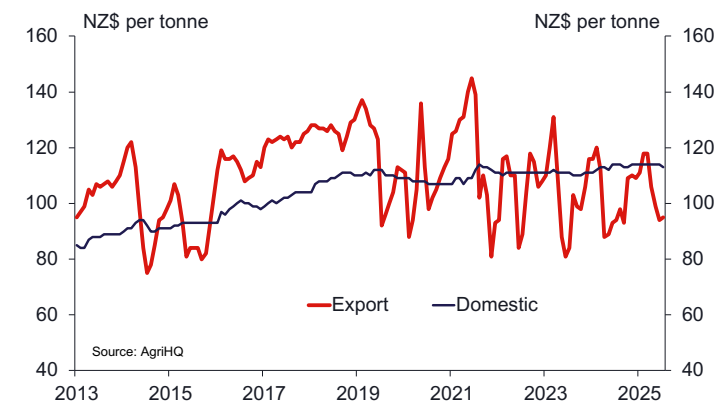
## Log export prices set to lift off recent lows.

- Relatively high export volumes from New Zealand in June have pushed Chinese port inventory levels up to around 4m m<sup>3</sup>. Daily offtake rates are averaging about 50k m<sup>3</sup> per day, but have generally trended down.
- In the near term, we think that the end of the seasonal summer time slowdown in Chinese construction activity could help to lift demand, despite the current moribund state of the construction sector and housing market.
- Looking further ahead, interventions by the Chinese authorities to boost China's struggling property market, with the promise of more to come if required, should increase demand for softwood logs and lift prices.
- The recent cooling of trade tensions between China and the US should also be a positive development for log prices. By our estimates, the US accounts for about 20% of Chinese manufactured wood product exports, including furniture and panel products made from logs purchased from New Zealand.
- That said, China as a BRICS member, as well as a large purchaser of Russian crude oil, could find itself subject to additional US tariffs.
- While log exports to India remain relatively small, there is potential for growth. This is especially so if a free trade deal were to be concluded, although achieving this will likely be difficult in the current environment.

## ANZ world forestry prices



## Export and domestic log prices – New Zealand



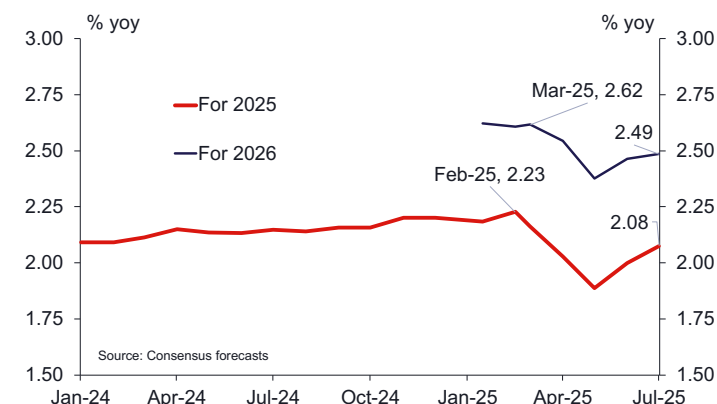


# GLOBAL GROWTH AND TARIFFS

## US tariff policy to dampen trading partner growth.

- Our forecasts of economic growth for New Zealand's key trading partners point to slower growth in 2025 and 2026 than forecast earlier this year. This largely reflects the expected impact of tariffs and tariff-related uncertainty, especially on the US economy and the economies of South East Asia.
- China is expected to deploy more expansionary monetary and fiscal policy to mitigate the impact of significant US tariffs, which will also indirectly cushion the impact on the New Zealand and Australian economies.
- Uncertainty remains on how tariffs will eventually impact global activity and inflation. Some clarity on tariff levels has emerged recently, as several countries have negotiated tariffs that are much lower than those announced on "Liberation Day". New Zealand remains subject to a 10% tariff, but this could rise to 15%.
- As a full-blown trade war (including retaliatory tariffs from US trading partners) has been avoided, consensus forecasts for trading partner growth have been revised up.
- It's uncertain how tariffs will affect New Zealand's lamb exports to the US, or how a 50% tariff on Brazilian beef might influence New Zealand's beef exports to the US and other markets. China's response may not fully offset the impact of US tariffs. Movements in commodity prices could offer useful clues about how well China is coping.

## Consensus forecasts for trading partner growth



## Westpac forecast for trading partner growth

	Annual average % change			
	2023	2024	2025	2026
Australia	2.1	1.0	1.6	2.1
China	5.4	5.0	5.0	4.6
United States	2.9	2.8	1.5	0.8
Japan	1.5	0.1	0.8	0.8
East Asia ex China	3.3	4.3	3.6	3.8
India	9.2	6.5	6.3	6.4
Eurozone	0.4	0.9	1.3	1.2
United Kingdom	0.4	1.1	1.2	1.2
NZ trading partners (export weighted)	3.1	2.9	2.7	2.6
World	3.5	3.3	3.0	3.0

# FORECASTS

## New Zealand commodity prices (end of period)

	Latest	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
NZ commodities index	395	389	384	382	386	389	393	396	398	401
Dairy price index	368	350	336	333	338	343	349	353	356	358
Whole milk powder USD/t	3,928	3,840	3,700	3,770	3,850	3,920	4,000	4,030	4,060	4,090
Skim milk powder USD/t	2,785	2,690	2,550	2,570	2,600	2,650	2,700	2,720	2,740	2,760
Lamb price index	565	593	594	594	592	587	582	578	575	572
Beef price index	338	322	325	328	331	333	335	336	335	334
Forestry price index	147	147	148	150	151	153	156	158	161	164

## New Zealand commodity prices (annual averages)

	Levels				% change			
	2024	2025f	2026f	2027f	2024	2025f	2026f	2027f
NZ commodities index	357	391	387	399	8.4	9.6	-1.0	3.1
Dairy price index	318	354	341	357	10.9	11.5	-3.8	4.8
Whole milk powder USD/t	3439	3968	3856	4063	11.6	15.4	-2.8	5.4
Skim milk powder USD/t	2686	2726	2615	2743	1.8	1.5	-4.0	4.9
Lamb price index	439	561	590	575	0.6	27.6	5.2	-2.5
Beef price index	283	322	331	335	4.4	13.8	2.6	1.2
Forestry price index	159	150	152	163	-0.1	-5.9	1.6	6.7

Forecasts as at 31 July 2025.

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